



Financial Statements
August 31, 2018

Brady Independent School District

Brady Independent School District

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Certificate of Board

Brady Independent School District
Name of School District

McCulloch
County

160901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved _____ disapproved _____ for the year ended August 31, 2018, at a meeting of the Board of Trustees of such school district on the _____ day of December, 2018.

Signature of Board Secretary

Signature of Board President

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)



Independent Auditor's Report

The Board of Trustees
Brady Independent School District
Brady, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District (the District) as of and for the year August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 4 and 18 to the financial statements, the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of September 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan schedules and OPEB plan schedules on pages 5 through 15 and 54 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The combining nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements.

The combining nonmajor fund financial statements, the TEA required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the TEA required schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Abilene, Texas
December 13, 2018

The management of Brady Independent School District (“the District”) offer readers of the annual financial report this narrative discussion and analysis of the District’s financial performance for the year ended August 31, 2018. Readers are encouraged to consider the information presented here in conjunction with the District’s financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- The District’s total combined net position was \$3,981,707.
- During the year, the District’s expenses were \$2,158,420 less than the \$17,827,464 generated in property taxes, grants and other revenues for governmental activities.
- As of September 1, 2017, the District was required to adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position for governmental activities was restated to adopt the provisions of GASB Statement No. 75 to report the beginning total OPEB liability. The restatement resulted in a decrease of \$9,128,765 to the District’s net position.
- The governmental funds financial statements reported combined ending fund balance of \$6,655,994 for the year ending August 31, 2018, an increase of \$293,865 in comparison with the prior year. This balance consists of \$4,217,373 in the General Fund which is unassigned and available for spending at the District’s discretion. Restricted fund balance totals \$1,476,097 and is included in the Debt Service Fund and Non-Major Funds. Committed fund balance is \$830,661 and consists of amounts held in campus activity funds. Non-spendable fund balance is \$131,863.
- The General Fund had \$11,626,908 in revenues, which primarily consisted of state aid and property taxes, \$11,348,643 in expenditures, and \$73,583 in net other financing uses, which resulted in an increase in fund balance by \$204,682 for the year ended August 31, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the District’s operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how general government services were financed in the short term as well as what remains for future spending.
 - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Major features of the District's [government-wide](#) and [fund financial statements](#) are summarized below:

Type of Statement	Government-Wide	Fund Financials	
		Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the District that are not propriety or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
<i>Required Financial Statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of change in net position
<i>Accounting Basis and Measurement Focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of Asset/Liability Information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of Inflow/Outflow Information</i>	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after year-end, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	Agency funds do not report revenue and expenditures.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector company. These statements include:

The Statement of Net Position. The Statement of Net Position (Exhibit A-1) focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of what the District owns (assets), what it owes (liabilities), and the net difference (net position). Net position may be further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial health is improving or deteriorating.

The Statement of Activities. The Statement of Activities (Exhibit B-1) presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing for when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

To assess the overall health of the District, additional nonfinancial factors should be considered, such as changes in the District's property tax base, student enrollment, and facility conditions.

The government-wide financial statements of the District are divided into two categories:

- **Governmental activities**—Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, rather than the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by State law and by bond covenants, while many other funds are established by the District to help manage resources for particular purposes and compliance with various grant provisions. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out of those funds and (2) the balances left at year-end that are available for spending in future periods. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's educational programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explain the relationship (or differences) between them.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, the SSA Special Education Fund and Local Special Education Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation as nonmajor funds.

Fiduciary Funds. The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, may be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are excluded from the District's government-wide financial statements because these resources are not available to finance District operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information, including schedules required by the Texas Education Agency.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's combined net position increased \$2.2 million from the previous year (as restated) as can be seen on the following table.

Brady Independent School District
Management's Discussion and Analysis
Year Ended August 31, 2018

	Governmental Activities	
	2018	2017 (restated)
Assets		
Current and other assets	\$ 8,057,998	\$ 7,731,404
Capital assets	21,640,462	22,242,383
Total assets	29,698,460	29,973,787
Deferred outflows of resources	1,553,990	1,887,122
Liabilities		
Current liabilities	1,343,989	1,237,654
Noncurrent liabilities	23,380,088	28,631,405
Total liabilities	24,724,077	29,869,059
Deferred inflows of resources	2,546,666	168,563
Net position		
Net investment in capital assets	6,423,088	6,175,058
Restricted	1,470,309	1,391,078
Unrestricted	(3,911,690)	(5,742,849)
Total net position	\$ 3,981,707	\$ 1,823,287

The District's capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 73 percent of total assets. The remaining assets consist mainly of investments, cash, grants, property taxes receivable and prepaid assets.

The District's long-term liabilities include repayment of general obligation bonds (64 percent) and net pension and OPEB liability (31 percent). Other liabilities consist almost entirely of payables on accounts and salaries and benefits (5 percent).

The District's net position includes its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the district's ongoing obligations to students, employees, and creditors.

The change in net position is attributed to the following:

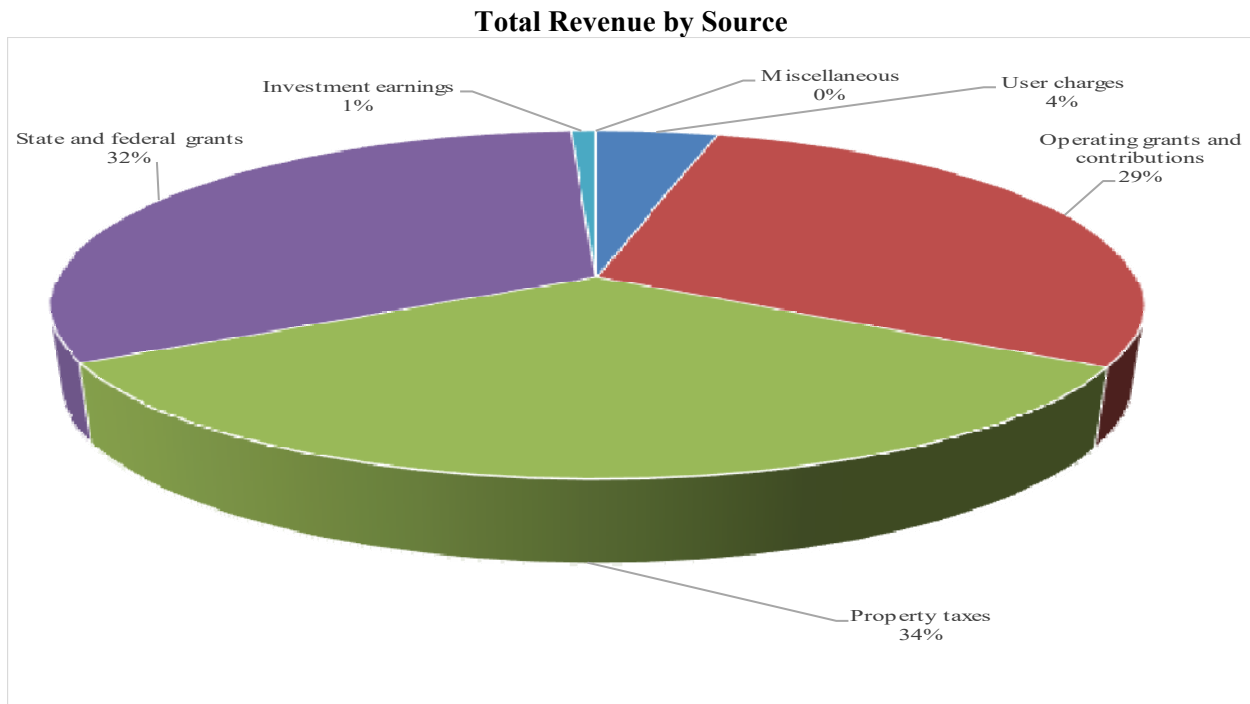
- The net effect of including the 2018 capital outlays, debt principal repayments, and amortization of deferred changes on refunding increased net position.
- No significant capital improvements were conducted during the fiscal year. However, depreciation was recorded, resulting in a decrease in net capital assets.

Governmental Activities

Funding is by the specific program revenue or through general revenues such as property taxes and investment earnings. Total revenues for the District's governmental activities increased \$2,282,658 while total expenses decreased \$391,212 which resulted in a net increase of net position of \$2,158,420. However, a prior period adjustment decreasing net position as of September 1, 2017 by \$9,128,765 million was posted to adopt the provisions of GASB Statement No. 75.

Revenues

The District's total revenues were \$17,827,464, representing an increase of \$2,282,658 from the previous year. The majority of this increase is due to a 50% increase in the District's operating grants and contributions, coming from state revenue associated with other post-employment benefits (OPEB), which was not required in previous years' audits and resulted in a \$1,854,154 increase in revenues from prior year. State aid increased by \$137,042 as a result of an increase in attendance. As seen below, approximately one-third of the District's revenue comes from taxes while the remaining one-third comes primarily from program revenue and state and federal sources.

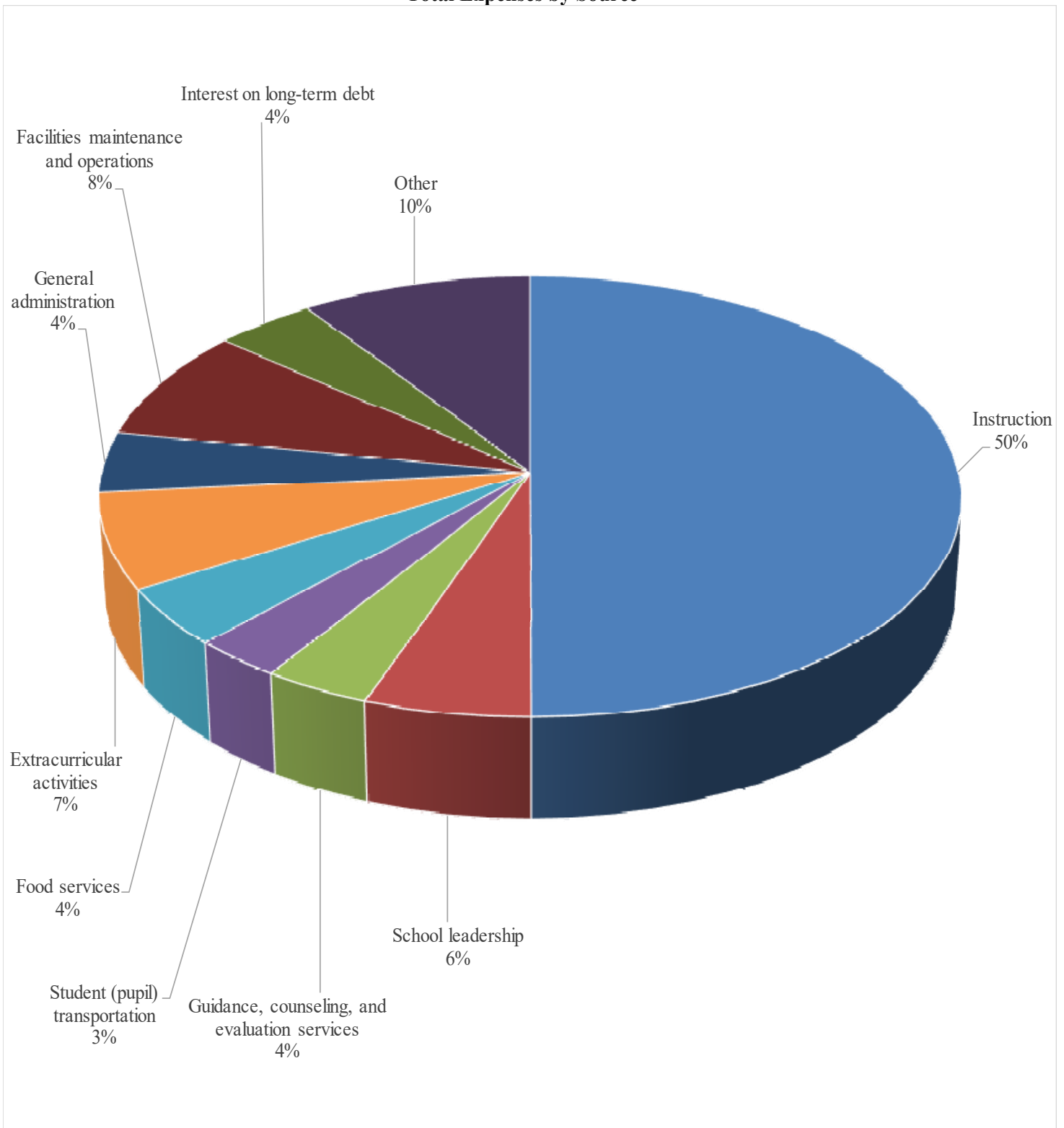


Expenses

The District's total expenses were \$15,669,044, representing a decrease of \$391,212 from the previous year. The majority of the decrease was attributed to guidance, counseling and evaluation, food service and facilities maintenance offset by increases in other functions. The District's primary functional expenses are:

- Instruction - \$7,827,567, or 50 percent of total expenses
- Facilities maintenance and operations - \$1,288,309, or 8 percent

Total Expenses by Source



Brady Independent School District
Management's Discussion and Analysis
Year Ended August 31, 2018

In total, governmental activities increased the District's net position by \$2,158,420. Key elements of this change are as follows:

	Governmental Activities	
	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 738,604	\$ 270,130
Operating grants/contributions	5,173,153	3,442,569
General revenues		
Property taxes	6,077,656	5,908,640
State aid - formula grants	5,656,450	5,519,408
Grants and contributions not restricted	19,145	-
Investment earnings	160,623	99,753
Miscellaneous	1,833	304,306
Total revenues	<u>17,827,464</u>	<u>15,544,806</u>
Expenses		
Instruction	7,827,567	7,732,621
Instructional resources and media services	165,785	185,825
Curriculum and staff development	146,818	119,516
Instructional leadership	208,103	243,405
School leadership	885,134	811,355
Guidance, counseling, and evaluation services	566,792	706,568
Social work services	34,490	63,052
Health services	116,541	112,469
Student (pupil) transportation	479,316	456,101
Food service	671,740	829,887
Cocurricular/extracurricular activities	1,096,964	1,128,312
General administration	687,231	582,568
Facilities maintenance and operations	1,288,309	1,509,916
Security and monitoring services	11,317	11,239
Data processing services	227,563	273,233
Community services	1,740	1,656
Interest on long-term debt	663,013	663,229
Bond issuance costs and fees	500	1,749
Payments related to shared services arrangements	421,581	442,843
Other intergovernmental charges	168,540	184,712
Total expenses	<u>15,669,044</u>	<u>16,060,256</u>
Change in net position	2,158,420	(515,450)
Net position, beginning	10,952,052	11,467,502
Prior period adjustment	(9,128,765)	-
Beginning net position, restated	<u>1,823,287</u>	<u>11,467,502</u>
Net position, ending	<u>\$ 3,981,707</u>	<u>\$ 10,952,052</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$6,655,994, a decrease of \$293,865 in comparison with the prior year. Approximately 63 percent of this total amount (\$4,217,373) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it has already been 1) used to purchase services (\$131,863), 2) restricted to pay debt service (\$1,466,028) or 3) for a variety of other restricted purposes (\$10,069). The District's committed fund balance consists of future construction and capital expenditures (\$830,661). Assignments reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds.

General Fund. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,217,373, while total fund balance reached \$5,179,897. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37 percent of total General Fund expenditures, while total fund balance represents 46 percent of that same amount.

The fund balance of the District's General Fund increased by \$204,682 during the current fiscal year. Key factors in this growth are as follows:

- Revenues totaled \$11,626,908 which is a 5 percent increase from previous year. A 3 percent increase in appraised property values increased property tax revenues by \$127,880.
- Expenditures totaled \$11,348,643 which is an 0.4 percent decrease from previous year.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$1,466,028, all of which is reserved for the payment of debt service. The net increase in fund balance was \$88,157.

SSA Special Education Fund. The SSA Special Education fund has no fund balance. Total revenues were \$708,838 an increase of \$44,234 from the previous year.

Local Special Education. The Local Special Education fund has no fund balance. Total revenues were \$56,559 an decrease of \$30,893 from the previous year.

Budgetary Highlights

The District adopts an annual appropriated budget for the General Fund, the National School Breakfast and Lunch Program, and the Debt Service Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with statutory requirements.

General Fund. The most significant fund for the District is the General Fund, funded primarily through local property tax revenue. The District's budget amendments presented to the Board of Trustees throughout the year are summarized as follows:

- ***Variances of original expenditure budget compared to amended budget.***
The amended expenditure budget increased in the General Fund \$518,809 from the original budget.
- ***Variances of amended budget to actual expenditures.***
Expenditures were \$555,726 less than final budgeted amounts.
- ***Variances of original revenue budget compared to actual revenue***
Local revenues were over budget by \$408,642. Local property tax revenue recognized \$127,880 more than the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested \$21.6 million in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net decrease of \$601,921 or 2.7 percent over last year. No significant capital asset activity. Additional information on the District's capital assets can be found in Note 8 of this report.

**Brady Independent School District
Capital Assets**

	Governmental Activities	
	2018	2017
Land	\$ 574,745	\$ 574,745
Buldings and improvements	37,464,289	37,310,738
Furniture and equipment	3,810,894	3,627,100
Total at historical cost	41,849,928	41,512,583
Less accumulated depreciation	(20,209,466)	(19,270,200)
Net capital assets	\$ 21,640,462	\$ 22,242,383

Long-Term Debt

At the end of 2018, the District had \$23,380,088 in long-term liabilities which include general obligation bonds, unamortized bond premium, net pension liability, and net OPEB liability. The District's long-term liabilities decreased by \$5,251,317.

Additional information on the District's long-term debt can be found in Note 9 of this report.

**Brady Independent School District
Long-Term Debt**

	Governmental Activities	
	2018	2017
General obligation bonds	\$ 14,815,000	\$ 15,630,000
Unamortized bond premium	1,007,732	1,064,013
Capital lease payable	-	16,505
Net pension liability	2,351,313	2,729,881
Net OPEB liability	5,206,043	9,191,006
 Total debt payable	 \$ 23,380,088	 \$ 28,631,405

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The local economy continues to be strong. The 2018-19 appraised property values increased by approximately 8%. The State funding is related to property tax revenue as tax collections increase, state revenue decreases at a lower rate resulting in a net increase for the District's General Fund revenue.

The Maintenance and Operations (M&O) tax rate remained the same at \$1.04 per \$100 valuation for the 2018-19 year. The Interest and Sinking (I&S) tax rate decreased by \$.060843xx to \$.259766 per \$100 valuation for the 2018-19 year. The District's 18-19 budget included constant student enrollment. The District's 18-19 General Fund revenue budget increased by \$152,945.

General Fund expenditures are budgeted to increase by \$152,945 over the prior year budgeted expenditures. Other major expenditure changes include a salary increase to \$4,000 above the State base. The 18-19 General Fund budget was adopted with a no surplus.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Administration Office at 1003 West 11th Street, Brady, TX 76825.

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 3,937,292
1120	Current investments	3,550,404
1220	Property taxes receivable (net)	135,050
1240	Due from other governments	247,674
1290	Other receivables	55,525
1410	Prepayments	131,863
1490	Other current assets	190
	Capital assets:	
1510	Land	574,745
1520	Buildings and improvements, net	20,144,050
1530	Furniture, equipment and vehicles net	921,667
1000	Total assets	<u>29,698,460</u>
	Deferred outflows of resources	
1705	Deferred outflows - pension	873,741
1706	Deferred outflows - OPEB	74,891
1710	Deferred charge on refunding	605,358
1700	Total deferred outflows of resources	<u>1,553,990</u>
	Liabilities	
2110	Accounts payable	31,647
2140	Interest payable	27,654
2150	Payroll deductions and withholdings	351
2160	Accrued wages payable	518,516
2200	Accrued expenses	16,346
2300	Unearned revenues	749,475
	Noncurrent liabilities	
2501	Due within one year	840,000
2502	Due in more than one year	13,975,000
2516	Premium on issuance of bonds	1,007,732
2540	Net pension liabilities	2,351,313
2545	Net OPEB liabilities	5,206,043
2000	Total liabilities	<u>24,724,077</u>

Brady Independent School District
Statement of Net Position (Exhibit A-1)
August 31, 2018

Data Control Codes		Governmental Activities
	Deferred Inflows of Resources	
2605	Deferred inflows - pension	368,968
2606	Deferred inflows - OPEB	2,177,698
		2,546,666
2600	Total deferred inflows of resources	2,546,666
	Net Position	
3200	Net investment in capital assets	6,423,088
3820	Restricted for grants	10,069
3850	Restricted for debt service	1,460,240
3900	Unrestricted	(3,911,690)
		3,981,707
3000	Total net position	\$ 3,981,707

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
	Governmental Activities			
11	Instruction	\$ 7,827,567	\$ 442,173	\$ 2,765,091
12	Instructional resources and media services	165,785	-	31,232
13	Curriculum and instructional staff development	146,818	-	62,592
21	Instructional leadership	208,103	-	223,667
23	School leadership	885,134	-	205,387
31	Guidance, counseling, and evaluation services	566,792	-	597,537
32	Social work services	34,490	-	64,171
33	Health services	116,541	-	28,721
34	Student (pupil) transportation	479,316	-	73,293
35	Food services	671,740	127,229	525,605
36	Extracurricular activities	1,096,964	165,402	121,743
41	General administration	687,231	-	120,714
51	Facilities maintenance and operations	1,288,309	3,800	142,353
52	Security and monitoring services	11,317	-	-
53	Data processing services	227,563	-	57,877
61	Community services	1,740	-	1,276
72	Interest on long-term debt	663,013	-	46,894
73	Bond issuance costs and fees	500	-	-
93	Payments related to shared services arrangements	421,581	-	105,000
99	Other intergovernmental charges	168,540	-	-
TG	Total governmental activities	<u>15,669,044</u>	<u>738,604</u>	<u>5,173,153</u>
TP	Total primary government	<u>\$ 15,669,044</u>	<u>\$ 738,604</u>	<u>\$ 5,173,153</u>
	General Revenues			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
SF	State aid - formula grants			
GC	Grants and contributions not restricted to specific programs			
IE	Investment earnings			
MI	Miscellaneous local and intermediate revenue			
TR	Total general revenues			
CN	Change in net position			
NB	Net position, beginning			
PA	Prior period adjustments			
	Beginning net position, as restated			
NE	Net position, ending			

See Notes to Financial Statements

Brady Independent School District
Statement of Activities (Exhibit B-1)
Year Ended August 31, 2018

Net (Expense) Revenue and Changes in Net Position	
6	8
Governmental Activities	Total
\$ (4,620,303)	\$ (4,620,303)
(134,553)	(134,553)
(84,226)	(84,226)
15,564	15,564
(679,747)	(679,747)
30,745	30,745
29,681	29,681
(87,820)	(87,820)
(406,023)	(406,023)
(18,906)	(18,906)
(809,819)	(809,819)
(566,517)	(566,517)
(1,142,156)	(1,142,156)
(11,317)	(11,317)
(169,686)	(169,686)
(464)	(464)
(616,119)	(616,119)
(500)	(500)
(316,581)	(316,581)
(168,540)	(168,540)
(9,757,287)	(9,757,287)
(9,757,287)	(9,757,287)
4,614,618	4,614,618
1,463,038	1,463,038
5,656,450	5,656,450
19,145	19,145
160,623	160,623
1,833	1,833
11,915,707	11,915,707
2,158,420	2,158,420
10,952,052	10,952,052
(9,128,765)	(9,128,765)
1,823,287	1,823,287
\$ 3,981,707	\$ 3,981,707

Data Control Codes		10	50
		General Fund	Debt Service Fund
Assets			
1110	Cash and cash equivalents	\$ 2,848,454	\$ 692,937
1120	Investments - current	2,750,000	750,000
1220	Property taxes - delinquent	151,893	46,706
1230	Allowance for uncollectible taxes (credit)	(49,226)	(14,323)
1240	Due from other governments	15,233	-
1260	Due from other funds	131,053	-
1290	Other receivables	42,951	12,574
1410	Prepayments	131,863	-
1490	Other current assets	15	-
1000	Total assets	<u>6,022,236</u>	<u>1,487,894</u>
1000a	Total assets and deferred outflows of resources	<u>\$ 6,022,236</u>	<u>\$ 1,487,894</u>
Liabilities			
2110	Accounts payable	\$ 27,761	\$ -
2150	Payroll deductions and withholdings payable	351	-
2160	Accrued wages payable	401,127	-
2170	Due to other funds	-	-
2200	Accrued expenditures	8,609	-
2300	Unearned revenues	340,688	-
2000	Total liabilities	<u>778,536</u>	<u>-</u>
Deferred inflows of resources			
2600	Unavailable revenue - property taxes	<u>63,803</u>	<u>21,866</u>
	Total deferred inflows of resources	<u>63,803</u>	<u>21,866</u>
Fund balances			
3430	Nonspendable - prepayments	131,863	-
3450	Restricted - grants	-	-
3480	Restricted - debt service	-	1,466,028
3510	Committed - construction	811,589	-
3530	Committed - capital expenditures for equipment	19,072	-
3600	Unassigned	4,217,373	-
3000	Total fund balances	<u>5,179,897</u>	<u>1,466,028</u>
4000	Total liabilities, deferred inflows and fund balances	<u>\$ 6,022,236</u>	<u>\$ 1,487,894</u>

See Notes to Financial Statements

Brady Independent School District
Balance Sheet – Governmental Funds (Exhibit C-1)
August 31, 2018

437 SSA Special Education	499 Local Special Education	Total Nonmajor Funds	Total Governmental Funds
\$ 169,753	\$ 216,285	\$ 9,863	\$ 3,937,292
50,404	-	-	3,550,404
-	-	-	198,599
-	-	-	(63,549)
-	-	232,441	247,674
-	-	-	131,053
-	-	-	55,525
-	-	-	131,863
175	-	-	190
<u>220,332</u>	<u>216,285</u>	<u>242,304</u>	<u>8,189,051</u>
<u>\$ 220,332</u>	<u>\$ 216,285</u>	<u>\$ 242,304</u>	<u>\$ 8,189,051</u>
\$ 50	\$ -	\$ 3,836	\$ 31,647
-	-	-	351
40,567	-	76,822	518,516
-	-	131,053	131,053
865	-	6,872	16,346
178,850	216,285	13,652	749,475
<u>220,332</u>	<u>216,285</u>	<u>232,235</u>	<u>1,447,388</u>
-	-	-	85,669
-	-	-	85,669
-	-	-	131,863
-	-	10,069	10,069
-	-	-	1,466,028
-	-	-	811,589
-	-	-	19,072
-	-	-	4,217,373
-	-	10,069	6,655,994
<u>\$ 220,332</u>	<u>\$ 216,285</u>	<u>\$ 242,304</u>	<u>\$ 8,189,051</u>

Brady Independent School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1r)
August 31, 2018

Total Fund Balances - Governmental Funds (Exhibit C-1)	\$	6,655,994
Capital assets, net of accumulated depreciation, are not financial resources and therefore are not reported as assets in governmental funds.		21,640,462
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in governmental funds.		
Bonds payable	\$	(14,815,000)
Deferred charge on refunding		605,358
Unamortized premium on bonds payable		(1,007,732)
		(15,217,374)
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(27,654)
Certain assets are not available for current period expenditures and there are deferred in the funds. These are:		
Deferred resource inflow for property taxes		85,669
The government-wide statements include the District's proportionate share of the TRS net pension liabilities and TRS-Care net OPEB liabilities, as well as certain pension and OPEB related transactions accounted for as deferred inflows and outflows of resources:		
Net pension liability	\$	(2,351,313)
Deferred outflows of resources - TRS pension		873,741
Deferred inflows of resources - TRS pension		(368,968)
Net OPEB liability		(5,206,043)
Deferred outflows of resources - TRS-Care OPEB		74,891
Deferred inflows of resources - TRS-Care OPEB		(2,177,698)
		(9,155,390)
Net position of governmental activities - Statement of Net Position (Exhibit A-1)	\$	3,981,707

Data Control Codes		10	50
		General Fund	Debt Service Fund
Revenues			
5700	Local and intermediate sources	\$ 5,379,009	\$ 1,505,699
5800	State program revenues	6,233,172	46,894
5900	Federal program revenues	14,727	4,418
5020	Total revenues	<u>11,626,908</u>	<u>1,557,011</u>
Expenditures			
Current			
0011	Instruction	5,833,423	-
0012	Instructional resources and media services	155,098	-
0013	Curriculum and instructional staff development	86,734	-
0021	Instructional leadership	11,912	-
0023	School leadership	851,249	-
0031	Guidance, counseling and evaluation services	124,242	-
0032	Social work services	86	-
0033	Health services	105,265	-
0034	Student (pupil) transportation	455,127	-
0035	Food services	9,679	-
0036	Extracurricular activities	1,015,438	-
0041	General administration	641,245	-
0051	Facilities maintenance and operations	1,350,684	-
0052	Security and monitoring services	11,317	-
0053	Data processing services	194,603	-
0061	Community services	464	-
Debt service			
0071	Principal on long term debt	16,956	815,000
0072	Interest on long term debt	-	653,354
0073	Bond issuance costs and fees	-	500
Intergovernmental			
0093	Payments to fiscal agent/member districts of SSA	316,581	-
0099	Other intergovernmental charges	168,540	-
6030	Total expenditures	<u>11,348,643</u>	<u>1,468,854</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>278,265</u>	<u>88,157</u>
Other financing sources (uses)			
7912	Sale of real and personal property	1,833	-
7915	Transfers in	-	-
8911	Transfers out	<u>(75,416)</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>(73,583)</u>	<u>-</u>
1200	Net change in fund balances	204,682	88,157
0100	Fund balance, beginning	<u>4,975,215</u>	<u>1,377,871</u>
3000	Fund balance, ending	<u>\$ 5,179,897</u>	<u>\$ 1,466,028</u>

See Notes to Financial Statements

Brady Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-2)
Year Ended August 31, 2018

437 SSA Special Education	499 Local Special Education	Total Nonmajor Funds	98 Total Governmental Funds
\$ 313,257	\$ 202	\$ 128,250	\$ 7,326,417
395,581	-	266,674	6,942,321
-	56,357	1,782,318	1,857,820
<u>708,838</u>	<u>56,559</u>	<u>2,177,242</u>	<u>16,126,558</u>
238,096	-	1,101,818	7,173,337
-	-	-	155,098
-	-	60,112	146,846
155,683	20,245	-	187,840
-	-	-	851,249
287,370	-	208,222	619,834
-	-	64,171	64,257
-	-	-	105,265
-	-	-	455,127
-	-	689,749	699,428
-	-	-	1,015,438
5,650	3,947	-	650,842
9,980	32,117	18,020	1,410,801
-	-	-	11,317
12,059	250	3,264	210,176
-	-	1,276	1,740
-	-	-	831,956
-	-	-	653,354
-	-	-	500
-	-	105,000	421,581
-	-	-	168,540
<u>708,838</u>	<u>56,559</u>	<u>2,251,632</u>	<u>15,834,526</u>
-	-	(74,390)	292,032
-	-	-	1,833
-	-	75,416	75,416
-	-	-	(75,416)
-	-	75,416	1,833
-	-	1,026	293,865
-	-	9,043	6,362,129
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,069</u>	<u>\$ 6,655,994</u>

Brady Independent School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities (Exhibit C-2r)
 Year Ended August 31, 2018

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	\$ 293,865
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays of \$337,345, debt principal repayments of \$815,000, capital lease principal repayments of \$16,505, and amortization of deferred charges on refunding of \$37,835 is to increase net position.	1,131,015
2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(939,266)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred tax revenue of \$85,669 as revenue and removing the prior year's tax collection of \$131,621.	(45,952)
Interest payable on long-term debt is accrued in the governmental-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is an increase of \$27,654. The net effect is to decrease net position.	(27,654)
Bond premiums are recorded as other financing sources when received in the fund financial statements but are capitalized and amortized in the government-wide financial statements. This is the current year amortization.	56,281
Changes in the deferred outflows of resources, deferred inflows of resources and net pension liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to decrease in the amount of \$8,903. The District's share of the unrecognized deferred outflows and inflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$120,881. The net effect is a decrease in net position.	(129,784)
Changes in the deferred outflows of resources, deferred inflows of resources and net OPEB liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$11,835. The District's share of the unrecognized deferred outflows and inflows for TRS as of the measurement date must be amortized and the District's proportionate share of the OPEB expense must be recognized. These cause the change in net position to increase in the amount of \$1,808,080. The net effect is an increase in net position.	1,819,915
Change in net position of governmental activities - Statement of Activities (Exhibit B-1)	<hr style="border: 1px solid black;"/> <u>\$ 2,158,420</u>

Brady Independent School District
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit E-1)
August 31, 2018

	876	
	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 485,247	\$ 73,536
Total assets	<u>485,247</u>	<u><u>73,536</u></u>
Liabilities		
Payable from restricted assets	36,000	\$ -
Due to student groups	<u>-</u>	<u>73,536</u>
Total liabilities	<u>36,000</u>	<u><u>\$ 73,536</u></u>
Net Position		
Restricted	<u>449,247</u>	
Total net position	<u>\$ 449,247</u>	

Brady Independent School District
Statement of Change in Net Position – Fiduciary Funds (Exhibit E-2)
Year Ended August 31, 2018

	876
	<u>Private Purpose Trust Fund</u>
Additions	
Local and intermediate sources	\$ 9,404
Total additions	<u>9,404</u>
Deductions	
Other operating costs	<u>51,000</u>
Total deductions	<u>51,000</u>
Change in net position	(41,596)
Total net position, beginning	<u>490,843</u>
Total net position, ending	<u><u>\$ 449,247</u></u>

Note 1 - Reporting Entity

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the Brady Independent School District (the District). The public elects the members of the Board of Trustees. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the TEA or to the State Board of Education are reserved for the trustees, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The financial statements of the District include all activities for which the Board exercises these governance responsibilities.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Note 2 - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 3 - Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements, as well as the fiduciary fund financial statements, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and penalties and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund*, a governmental fund type, account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in the debt service fund.

Fund 437, Shared Services Arrangement – Special Education, a governmental fund type, is to be used by the fiscal agent of a Shared Service Arrangement to account, on a project basis, for funds for special education, other than regional day school for the deaf and State Supplemental Visually Impaired.

Fund 499, Local Special Education, a governmental fund type, is to be used to account, on a project basis, for funds for special education, other than regional day school for the deaf and State Supplemental Visually Impaired.

Additionally, the District reports the following fund types:

The *Special Revenue Funds*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

The *fiduciary funds*, the District has the following:

Private purpose trust funds – Donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the Cleta Allen Scholarship Fund.

Agency funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District has an agency fund for its Student Activity fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, and then unrestricted resources, as they are needed.

Note 4 - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Deposits and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at amortized cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements and in the proprietary fund financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20 - 50
Furniture and equipment	5 - 15
Vehicles	8 - 10

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

Deferred Outflows/Inflows of Resources

Deferred outflows/inflows of resources are separate elements of the financial statements. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for its proportionate share of TRS's deferred inflow related to pensions as described in Note 11 and its OPEB liability as described in Note 12. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has deferred outflows of resources for its proportionate share of TRS's deferred outflow related to pensions as described in Note 11, for its proportionate share of TRS-Care's deferred outflow related to OPEB as described in Note 12, and for deferred charges on refunding of bonds.

Pensions

The fiduciary net position of the TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources relating to other-post employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Implementation of GASB Statement No. 75

As of September 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expenses. The effect of the implementation of this standard on beginning net position is disclosed in Note 18 and the additional disclosures required by this standard is included in Note 12.

Note 5 - Stewardship, Compliance and Accountability

Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting Resource (FAR) module and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Child Nutrition Program. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year.

Note 6 - Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

GASB Statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note 7 - Detailed Notes on All Funds

Deposits and Investments

Under Texas state law, the District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent, bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that they complied with all significant requirements of the PFIA and the District's investment policies.

Custodial Credit Risk-Deposits

At August 31, 2018, the District's deposits (cash, certificates of deposit and interest bearing savings accounts including temporary investments) were entirely covered by pledged collateral held by the District's agent bank in the District's name or by federal deposit insurance.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009; 2) certificates of deposit and share certificates as permitted by Government Code 2256.010; 3) fully collateralized repurchase agreements permitted by Government Code 2256.011; 4) a securities lending program as permitted by Government Code 2256.0115; 5) banker’s acceptances as permitted by Government Code 2256.013; 6) commercial paper as permitted by Government Code 2256.013; 7) No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014; 8) a guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and 9) public funds investment pools as permitted by Government Code 2256.016. Temporary investments are reported at amortized cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment’s market value.

Concentration of Credit Risk

The District’s investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturing scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user.

Interest Rate Risk

The District’s investment policy states that any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

The investments held at August 31, 2018 are as follows:

Investments	Amortized Cost	Maturity in Years		
		Less Than 1	1 - 5	More Than 5
Certificates of deposit	\$ 3,550,404	\$ 3,550,404	\$ -	\$ -
Total	<u>\$ 3,550,404</u>	<u>\$ 3,550,404</u>	<u>\$ -</u>	<u>\$ -</u>

Property Tax

In the governmental fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions), upon which the levy for the August 31, 2018 fiscal year was based, was \$442,624,222. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year period ended August 31, 2018 were 98% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General Fund are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled \$135,050.

The tax rate to finance general governmental services was \$1.04 per \$100 and the tax rate to finance the payment of principal and interest on long-term obligations was \$0.320609 per \$100 for the year ended August 31, 2018.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018, are summarized below:

<u>Governmental Activities</u>	<u>State Grants/ Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General fund	\$ 15,233	\$ -	\$ 15,233
Nonmajor special revenue funds	48,741	183,700	232,441
	<u>\$ 63,974</u>	<u>\$ 183,700</u>	<u>\$ 247,674</u>

Interfund Receivables/Payables and Transfers

In the fund financial statements, interfund balances are the results of normal transactions between funds and will be liquidated in the subsequent fiscal year.

Interfund balances at August 31, 2018, resulting from transfers from the General Fund to the Child Nutrition Fund and to other nonmajor special revenue funds to cover fund deficits, consisted of the following individual fund balances:

	Due From Other Funds	Due To Other Funds
General fund		
Nonmajor special revenue funds	\$ 131,053	\$ -
Nonmajor special revenue funds		
General fund	-	131,053
Totals	\$ 131,053	\$ 131,053
	Transfer in	Transfer out
Nonmajor special revenue funds	\$ 75,416	\$ -
General fund	-	75,416
	\$ 75,416	\$ 75,416

Brady Independent School District
Notes to Financial Statements
August 31, 2018

Capital asset activity for the District for the year ended August 31, 2018, was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances
Governmental activities				
Capital assets not being depreciated				
Land	\$ 574,745	\$ -	\$ -	\$ 574,745
Total capital assets not being depreciated	<u>574,745</u>	<u>-</u>	<u>-</u>	<u>574,745</u>
Capital assets, being depreciated				
Buildings and improvements	37,310,738	153,551	-	37,464,289
Furniture and equipment	1,444,983	91,629	-	1,536,612
Vehicles	2,182,117	92,165	-	2,274,282
Total capital assets being depreciated	<u>40,937,838</u>	<u>337,345</u>	<u>-</u>	<u>41,275,183</u>
Less accumulated depreciation for				
Buildings and improvements	(16,554,807)	(765,432)	-	(17,320,239)
Furniture and equipment	(1,028,933)	(79,042)	-	(1,107,975)
Vehicles	(1,686,460)	(94,792)	-	(1,781,252)
Total accumulated depreciation	<u>(19,270,200)</u>	<u>(939,266)</u>	<u>-</u>	<u>(20,209,466)</u>
Total capital assets being depreciated, net	<u>21,667,638</u>	<u>(601,921)</u>	<u>-</u>	<u>21,065,717</u>
Governmental activities capital assets, net	<u>\$ 22,242,383</u>	<u>\$ (601,921)</u>	<u>\$ -</u>	<u>\$ 21,640,462</u>

Depreciation expense was charged to the District's functions as follows:

Instruction	\$ 717,086
School leadership	620
Student (pupil) transportation	91,937
Food services	5,314
Extracurricular activities	81,024
General administration	12,321
Facilities maintenance and operations	27,370
Data processing services	3,594
Total depreciation expense - governmental activities	<u>\$ 939,266</u>

Note 8 - Long-Term Debt

The long-term indebtedness of the District pertains to the Governmental Activities of the District. Expenditures for the debt service requirements of the long-term debt are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2018 is as follows:

	Interest Rate Payable	Amounts Originally Issued	Balance 9/1/2017	Debt Issued	Principal Retired	Balance 8/31/2018	Current Portion 8/31/2018
Unlimited Tax Refunding Bonds, Series 2005	3.87%	\$2,385,000	\$ 285,000	\$ -	\$ (50,000)	\$ 235,000	\$ 55,000
Unlimited Tax Refunding Bonds, Series 2008	5.30%	5,040,000	2,865,000	-	(535,000)	2,330,000	555,000
Unlimited Tax Refunding Bonds, Series 2015	2%-5%	12,850,000	12,480,000	-	(230,000)	12,250,000	230,000
Total bonds payable			<u>\$15,630,000</u>	<u>\$ -</u>	<u>\$(815,000)</u>	<u>\$14,815,000</u>	<u>\$840,000</u>

Debt service requirements for the District's long-term debt are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2019	\$ 840,000	\$ 625,184	\$ 1,465,184
2020	865,000	593,902	1,458,902
2021	890,000	561,706	1,451,706
2022	920,000	528,516	1,448,516
2023	540,000	506,700	1,046,700
2024-2028	3,140,000	2,100,000	5,240,000
2029-2033	3,890,000	1,360,100	5,250,100
2034-2038	3,730,000	468,300	4,198,300
	<u>\$ 14,815,000</u>	<u>\$ 6,744,408</u>	<u>\$ 21,559,408</u>

A summary in changes of total bonds payable and other long-term debt follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bonds payable				
General obligation bonds	\$ 15,630,000	\$ -	\$ (815,000)	\$ 14,815,000
Less deferred amounts for issuance premium	1,064,013	-	(56,281)	1,007,732
Capital lease payable	16,505	-	(16,505)	-
Net pension liability	2,729,881	306,068	(684,636)	2,351,313
Net OPEB liability	9,191,006	881	(3,985,844)	5,206,043
	<u>\$ 28,631,405</u>	<u>\$ 306,949</u>	<u>\$ (5,558,266)</u>	<u>\$ 23,380,088</u>

The District previously leased band equipment under a capital lease. The lease was paid off during the current year.

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2018.

Pension and OPEB liabilities are typically liquidated through contributions to TRS made by the following funds: General Fund; SSA Special Education; Local Special Education; Head Start; ESEA Title I Improving Basic Programs; Career and Tech Basic Grant; ESEA Title II Training & Recruiting; Title IV, Part B; Title IV, Part A; SSA IDEA Part B Formula; SSA IDEA Part B Preschool; and State Textbook Fund.

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability for vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

Note 9 - Contingencies

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 10 - Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401 (a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public state-supported education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.02 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal year 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for the fiscal years 2016 and 2017.

	Contribution Rates	
	2018	2017
Member	7.70%	7.70%
Non-employer contributing entity (state)	6.80%	6.80%
Employers/District	6.80%	6.80%

The contribution amounts for the District are as follows:

Member contributions	\$ 534,000	\$ 542,230
NECE on-behalf contributions	429,863	431,005
Employer contributions	221,931	230,834

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.00%
Long-term expected investment rate of return	8.00%
Municipal bond rate *	N/A *
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2116
Inflation	2.50%
Salary increases, including inflation	3.5% to 9.5%
Ad hoc post-employment benefit changes	None

* If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e., the rate closest to but not later than the measurement date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2017

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%	0.0%	2.2%
Alpha	0.0%	0.0%	1.0%
Total	100.0%		8.7%

*The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Total TRS net pension liability	\$ 53,902,879,534	\$ 31,974,612,699	\$ 13,715,771,590
District's proportionate share of the net pension liability	\$ 3,963,856	\$ 2,351,313	\$ 1,008,617

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2018, the District reported a liability of \$2,351,313 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,351,313
State's proportionate share that is associated with the District	4,196,517
Total	\$ 6,547,830

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net pension liability was .007353689% which was an increase of .000129587% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

There were no changes in the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the fiscal year ended August 31, 2018, the District recognized pension expense of \$320,094 and revenue of \$429,243 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 34,401	\$ 126,803
Changes in actuarial assumptions	107,106	61,316
Difference between projected and actual investment earnings	-	171,458
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	510,303	9,391
Contributions paid to TRS subsequent to the measurement date	221,931	-
Total	\$ 873,741	\$ 368,968

\$221,931 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2019. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended August 31,
2018	\$ 48,832
2019	198,923
2020	37,303
2021	(10,102)
2022	5,272
Thereafter	2,614
Total	\$ 282,842

Note 11 - Postemployment Health Benefits

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr/pd##CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS-Care provides a basic health insurance program (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-retirement benefit changes, including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates
Effective September 1, 2016 - December 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

**or surviving spouse*

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you go basis and is subject to changed based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.0% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employee contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates		
	2017	2018
Active employee	0.65%	0.65%
Non-employee contributing entity (State)	1.00%	1.25%
Employers	0.55%	0.55%
Federal/private funding remitted by employers	1.00%	1.25%
Employer Contributions		\$ 74,076
Member Contributions		51,044
NECE On-behalf Contributions		121,909

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension plan actuarial valuation:

Rate of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Expected payroll growth
Rates of disability incidence	

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate*	3.42%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll growth rate	2.50%
Projected salary increases**	3.50% to 9.50%
Healthcare trend rates***	4.5% to 12.00%
Election Rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

* Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of August 31, 2017.

** Includes inflation at 2.50%

*** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions on all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of ten years.

Other Information

There was a significant plan change adopted in the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered, and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2017

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%	0.0%	2.2%
Alpha	0.0%	0.0%	1.0%
Total	100.0%		8.7%

* The Expected Contributions to Returns incorporate the volatility drag resulting from the conversion between Arithmetic and Geometric means returns.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB liability if the discount rate was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
Total TRS net OPEB liability	\$ 51,324,568,976	\$ 43,486,248,635	\$ 37,186,006,400
District's proportionate share of the OPEB liability	\$ 6,144,423	\$ 5,206,043	\$ 4,451,797

Healthcare Cost Trend Rate Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed health-care cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total TRS net OPEB liability	\$ 36,206,646,484	\$ 43,486,248,635	\$ 53,038,004,180
District's proportionate share of the OPEB liability	\$ 4,334,551	\$ 5,206,043	\$ 6,349,551

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2018, the District reported a liability of \$5,206,043 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 5,206,043
State's proportionate share that is associated with the District	5,905,281
Total	\$ 11,111,324

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the District's proportion of the collective Net OPEB Liability was 0.011972% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB Liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the OPEB liability.

In this valuation, the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

1. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
2. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
3. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of \$(1,976,064) and revenue of \$70,601 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 108,680
Changes in actuarial assumptions	-	2,069,018
Difference between projected and actual investment earnings	791	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	24	-
Contributions paid to TRS subsequent to the measurement date	74,076	-
Total	\$ 74,891	\$ 2,177,698

\$74,076 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended August 31, 2019. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended August 31	OPEB Expense Amount
2018	\$ (287,241)
2019	(287,241)
2020	(287,241)
2021	(287,243)
2022	(287,439)
Thereafter	(740,478)
Total	\$ (2,176,883)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2018; August 31, 2017 and August 31, 2016, the subsidy payments received by TRS-Care on behalf of the District were \$24,950, \$24,822, and \$30,744, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the state.

Note 12 - Revenues from Local and Intermediate Sources

For the year ended August 31, 2018, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	Fund 437 - SSA Special Education	Fund 499 - Local Special Education	Nonmajor Governmental Funds	Total
Property taxes	\$ 4,595,297	\$ 1,455,545	\$ -	\$ -	\$ -	\$ 6,050,842
Food service sales	-	-	-	-	127,229	127,229
Investment income	116,977	32,748	9,675	202	1,021	160,623
Penalties, interest, and other tax related income	55,360	17,406	-	-	-	72,766
Co-curricular student activities	165,402	-	-	-	-	165,402
Revenue from member districts	221,270	-	281,043	-	-	502,313
Tuition and student fees	5,200	-	-	-	-	5,200
Gifts and bequests	17,781	-	-	-	-	17,781
Application fee from wind farm	189,922	-	-	-	-	189,922
Other	11,800	-	22,539	-	-	34,339
Total	\$ 5,379,009	\$ 1,505,699	\$ 313,257	\$ 202	\$ 128,250	\$ 7,326,417

Note 13 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

During the year ended August 31, 2018, employees of the District were covered by third party commercial health insurance (the Plan). The District has paid premiums of \$351 per month per employee to the plan, and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator acting on behalf of a licensed insurer. The plan was authorized by Section 21.922, Texas Education Code, and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable annually on September 1, and terms of coverage and premium costs are included in the contractual provisions.

The District participates in a modified self-funded workers' compensation insurance pool with other districts which are located in the State of Texas. The District's contributions to the pool are based on the loss experience of the District and other districts in the pool. Workers' Compensation Solutions (WCS) is the third party administrator of the pool. The District's fixed cost is \$24,845 and maximum aggregate loss is \$31,634.

Note 14 - Fund Balance

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority, and can be used only for the specific purposes determined by the Board's resolution. At August 31, 2018, the District had \$811,589 committed for future construction projects and \$19,072 for future equipment purchases.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent or the Chief Financial Officer. At August 31, 2018, the District had no assigned funds.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in other classifications.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. The District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a formal minimum fund balance policy.

Note 15 - General Fund Federal Source Revenues

	CFDA	Amount
Payments in lieu of taxes	N/A	\$ 14,727
		\$ 14,727

Note 16 - Shared Services Arrangement

The District is the fiscal agent for a Shared Services Arrangement (SSA) which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in a special revenue fund and is accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member Districts	Expenditures
Brady ISD	\$ 331,669
Lohn ISD	29,518
Rochelle ISD	62,985
Cherokee ISD	31,600
San Saba ISD	180,421
Richland Springs ISD	54,847
Special Services to Other Coops	17,798
Total	\$ 708,838

Note 17 - Prior Period Adjustments

As of September 1, 2017, the District was required to adopt GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of this standard replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position for governmental activities was restated to adopt the provisions of GASB Statement No. 75 to report the beginning net OPEB liability, and deferred outflows of resources related to contributions made after the measurement date as follows:

	Governmental Activities
Net position - August 31, 2017, as previously reported	\$ 10,952,052
GASB 75 Implementation	
Net OPEB liability	(9,191,006)
Deferred outflows of resources related to contributions made during the year ended August 31, 2017	62,241
Net position - September 1, 2017, as restated	\$ 1,823,287

Note 18 - Tax Abatement Agreement

On December 19, 2016, the District approved a property tax abatement agreement with Rattlesnake Power, LLC, for a Limitation On Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e. the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. Rattlesnake Power, LLC qualified for a tax limitation agreement under Texas Tax Code §313.024 (b)(5), as a renewable energy electric generation project.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goals to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant, including Rattlesnake Power, LLC has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the project. The application, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The agreement and all supporting documentation were assigned Texas Comptroller Application No. 1101.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that Rattlesnake Power, LLC terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

Project Value	Project's Value Limitation	Amount of Applicant's M&O Taxes Paid	Amount of Applicant's M&O Taxes Reduced	Company Revenue Loss Payment to School District	Company Supplemental Payment to School District	Net Benefit (Loss) to the School District
\$	-	Not applicable	-	-	\$ 124,500	\$ 124,500

Note 19 - Subsequent Events

On November 6, 2018, voters approved bond proposition A for \$3,350,000 to be used to renovate the elementary school and career center at the high school and to make safety and security improvements.



Required Supplementary Information
August 31, 2018

Brady Independent School District

Brady Independent School District
Budgetary Comparison Schedule – General Fund (Exhibit G-1)
Year Ended August 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP) Basis	Variance With Final Budget Positive or (Negative)
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$ 4,936,111	\$ 4,970,367	\$ 5,379,009	\$ 408,642
5800	State program revenues	6,455,136	6,505,048	6,233,172	(271,876)
5900	Federal program revenues	15,000	15,000	14,727	(273)
5020	Total revenues	11,406,247	11,490,415	11,626,908	136,493
Expenditures					
Current					
0011	Instruction	5,947,108	5,996,673	5,833,423	163,250
0012	Instructional resources and media services	155,687	162,787	155,098	7,689
0013	Curriculum and instructional staff development	84,258	91,218	86,734	4,484
0021	Instructional leadership	6,000	17,272	11,912	5,360
0023	School leadership	854,087	864,887	851,249	13,638
0031	Guidance, counseling and evaluation services	193,888	156,015	124,242	31,773
0032	Social work services	500	2,500	86	2,414
0033	Health services	103,125	113,125	105,265	7,860
0034	Student (pupil) transportation	475,699	570,669	455,127	115,542
0035	Food services	11,793	13,793	9,679	4,114
0036	Extracurricular activities	967,006	1,092,422	1,015,438	76,984
0041	General administration	546,430	648,380	641,245	7,135
0051	Facilities maintenance and operations	1,255,987	1,424,986	1,350,684	74,302
0052	Security and monitoring services	13,735	13,735	11,317	2,418
0053	Data processing services	232,240	207,516	194,603	12,913
0061	Community services	1,000	2,000	464	1,536
Debt service					
0071	Principal on long term debt	16,957	17,957	16,956	1,001
Intergovernmental					
0093	Payments to fiscal agent/member districts of SSA	324,783	324,783	316,581	8,202
0099	Other intergovernmental charges	195,277	183,651	168,540	15,111
6030	Total expenditures	11,385,560	11,904,369	11,348,643	555,726
1100	Excess (deficiency) of revenues over (under) expenditures	20,687	(413,954)	278,265	692,219
Other financing sources (uses)					
7912	Sale of real and personal property	2,000	2,000	1,833	(167)
7956	Insurance recovery	2,000	2,000	-	(2,000)
8911	Transfers out	(95,917)	(95,917)	(75,416)	20,501
	Total other financing sources (uses)	(91,917)	(91,917)	(73,583)	18,334
1200	Net change in fund balances	(71,230)	(505,871)	204,682	710,553
0100	Fund balance, beginning	4,975,215	4,975,215	4,975,215	-
3000	Fund balance, ending	\$ 4,903,985	\$ 4,469,344	\$ 5,179,897	\$ 710,553

Brady Independent School District
Schedule of District's Proportionate Share of the Net Pension Liability (Exhibit G-2)
August 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0073536887%	0.7224101700%	0.7672300000%	0.4542200000%
District's proportionate share of net pension liability	\$ 2,351,313	\$ 2,729,881	\$ 2,712,056	\$ 1,213,284
State's proportionate share of the net pension liability associated with the District	<u>4,196,517</u>	<u>5,181,608</u>	<u>4,980,648</u>	<u>4,281,893</u>
	<u>\$ 6,547,830</u>	<u>\$ 7,911,489</u>	<u>\$ 7,692,704</u>	<u>\$ 5,495,177</u>
District's covered payroll	\$ 7,973,967	\$ 7,757,155	\$ 7,589,807	\$ 7,262,718
District's proportionate share of net pension liability as a percentage of its covered payroll	29.49%	35.19%	35.73%	16.71%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability which is August 31 of the preceding fiscal year.

Note: Plan information was unavailable prior to 2014.

Brady Independent School District
Schedule of District's Contributions to the Pension Plan (Exhibit G-3)
August 31, 2018

	8/31/2018	8/31/2017	8/31/2016	8/31/2015
Contractually required contribution	221,931	\$ 230,834	\$ 229,528	\$ 227,139
Contribution in relation to the contractually required contribution	(221,931)	(230,834)	(229,528)	(227,139)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -
District's covered payroll	7,852,938	\$ 7,973,967	\$ 7,757,155	\$ 7,589,807
Contributions as a percentage of covered payroll	2.83%	2.89%	2.96%	2.99%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note 2: Plan information was unavailable prior to 2014.

Brady Independent School District
Schedule of District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)
August 31, 2018

	2018
District's proportion of the net OPEB liability	0.0119716996%
District's proportionate share of net OPEB liability	\$ 5,206,043
State's proportionate share of the net OPEB liability associated with the District	5,905,281
	\$ 11,111,324
District's covered-employee payroll	\$ 7,973,967
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	65.29%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net OPEB liability which is August 31 of the preceding fiscal year.

Note 2: Plan information was unavailable prior to 2018.

Brady Independent School District
Schedule of District's Contributions to the OPEB Plan (Exhibit G-5)
August 31, 2018

	2018
Contractually required contribution	\$ 74,076
Contribution in relation to the contractually required contribution	(74,076)
Contribution deficiency	\$ -
District's covered-employee payroll	7,852,938
Contributions as a percentage of covered-employee payroll	0.94%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note 2: Plan information was unavailable prior to 2018.

Note 1 - Budget

Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year-end.

Note 2 - Pension

Changes of Benefit Terms

There were no changes to benefit terms that affected the measurement of the total pension liability during the measurement period.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions during the measurement period.

Note 3 - OPEB

Changes of Benefit Terms

There was a significant plan change adopted in the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered, and all retirees will be required to contribute monthly premiums for coverage.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.



Supplementary Information
August 31, 2018

Brady Independent School District

	205	211	240
	Head Start	ESEA Title I Improving Basic Programs	National School Breakfast/Lunch Program
Assets			
1110	Cash and cash equivalents	\$ -	\$ 9,863
1240	Due from other governments	14,840	11,002
1000	Total assets	\$ 14,840	\$ 20,865
Liabilities			
2110	Accounts payable	\$ -	\$ 3,836
2160	Accrued wages payable	8,779	6,819
2170	Due to other funds	5,168	-
2200	Accrued expenditures	893	141
2300	Unearned revenue	-	-
2000	Total liabilities	14,840	10,796
Fund balances			
3450	Restricted - grants	-	10,069
3000	Total fund balances	-	10,069
4000	Total liabilities and fund balances	\$ 14,840	\$ 20,865

Brady Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
Year Ended August 31, 2018

244	255	270	289	313
Career and Tech Basic Grant	ESEA Title II Training and Recruiting	Title IV, Part B	Title IV Part A	SSA IDEA Part B Formula
\$ -	\$ -	\$ -	\$ -	\$ -
-	8,220	787	3,937	77,630
<u>\$ -</u>	<u>\$ 8,220</u>	<u>\$ 787</u>	<u>\$ 3,937</u>	<u>\$ 77,630</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	1,943	-	1,201	29,640
-	6,076	787	2,613	44,976
-	201	-	123	3,014
-	-	-	-	-
<u>-</u>	<u>8,220</u>	<u>787</u>	<u>3,937</u>	<u>77,630</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 8,220</u>	<u>\$ 787</u>	<u>\$ 3,937</u>	<u>\$ 77,630</u>

		314 SSA IDEA Part B Preschool	410 State Textbook Fund
		<u> </u>	<u> </u>
Assets			
1110	Cash and cash equivalents	\$ -	\$ -
1240	Due from other governments	2,061	47,691
		<u> </u>	<u> </u>
1000	Total assets	<u>\$ 2,061</u>	<u>\$ 47,691</u>
Liabilities			
2110	Accounts payable	\$ -	\$ -
2160	Accrued wages payable	1,750	-
2170	Due to other funds	132	34,039
2200	Accrued expenditures	179	-
2300	Unearned revenue	-	13,652
		<u> </u>	<u> </u>
2000	Total liabilities	<u>2,061</u>	<u>47,691</u>
Fund balances			
3450	Restricted - grants	<u>-</u>	<u>-</u>
3000	Total fund balances	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 2,061</u>	<u>\$ 47,691</u>

Brady Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
Year Ended August 31, 2018

429			
State Funded Special Revenue Fund	-	Total Nonmajor Special Revenue Funds	-
\$	-	\$	9,863
1,050	-	232,441	-
<u>1,050</u>	<u>-</u>	<u>242,304</u>	<u>-</u>
\$	-	\$	3,836
-	-	76,822	-
1,050	-	131,053	-
-	-	6,872	-
<u>-</u>	<u>-</u>	<u>13,652</u>	<u>-</u>
1,050	-	232,235	-
<u>-</u>	<u>-</u>	<u>10,069</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>10,069</u>	<u>-</u>
<u>\$</u>	<u>1,050</u>	<u>\$</u>	<u>242,304</u>

		205	211	240
Data Control Codes	Revenues	Head Start	ESEA Title I Improving Basic Programs	National School Breakfast/Lunch Program
5700	Local and intermediate sources	\$ -	\$ -	\$ 128,250
5800	State program revenues	-	-	3,132
5900	Federal program revenues	148,106	393,246	500,747
5020	Total revenues	148,106	393,246	632,129
Expenditures				
Current				
0011	Instruction	119,060	245,071	-
0013	Curriculum and instructional staff development	2,817	27,287	-
0031	Guidance, counseling, and evaluation services	-	81,696	-
0032	Social work services	24,979	39,192	-
0035	Food services	-	-	689,749
0051	Facilities maintenance and operations	1,250	-	16,770
0053	Data processing services	-	-	-
0061	Community services	-	-	-
Intergovernmental				
0093	Payments to fiscal agent/member districts of SSA	-	-	-
6030	Total expenditures	148,106	393,246	706,519
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	(74,390)
Other financing sources (uses)				
7915	Transfers in	-	-	75,416
7080	Total other financing sources (uses)	-	-	75,416
1200	Net change in fund balances	-	-	1,026
0100	Fund balances, beginning	-	-	9,043
3000	Fund balances, ending	\$ -	\$ -	\$ 10,069

Brady Independent School District
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
 Funds (Exhibit H-2)
 Year Ended August 31, 2018

244	255	270	289	313 SSA IDEA Part B Formula
Career and Tech Basic Grant	ESEA Title II Training and Recruiting	Title IV Part B	Title IV Part A	
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	59,044	20,336	11,961	624,111
-	59,044	20,336	11,961	624,111
-	34,588	20,336	11,961	395,581
-	24,456	-	-	3,102
-	-	-	-	115,888
-	-	-	-	-
-	-	-	-	-
-	-	-	-	3,264
-	-	-	-	1,276
-	-	-	-	105,000
-	59,044	20,336	11,961	624,111
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -

Data Control Codes	Revenues	314 SSA IDEA Part B Preschool	410 State Textbook Fund
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	261,092
5900	Federal program revenues	24,767	-
5020	Total revenues	24,767	261,092
	Expenditures		
	Current		
0011	Instruction	14,129	261,092
0013	Curriculum and instructional staff development	-	-
0031	Guidance, counseling, and evaluation services	10,638	-
0032	Social work services	-	-
0035	Food services	-	-
0051	Facilities maintenance and operations	-	-
0053	Data processing services	-	-
0061	Community services	-	-
	Intergovernmental		
0093	Payments to fiscal agent/member districts of SSA	-	-
6030	Total expenditures	24,767	261,092
1100	Excess (deficiency) of revenues over (under) expenditures	-	-
	Other financing sources (uses)		
7915	Transfers in	-	-
7080	Total other financing sources (uses)	-	-
1200	Net change in fund balances	-	-
0100	Fund balances, beginning	-	-
3000	Fund balances, ending	\$ -	\$ -

Brady Independent School District
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
 Funds (Exhibit H-2)
 Year Ended August 31, 2018

429	
State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ 128,250
2,450	266,674
-	1,782,318
<u>2,450</u>	<u>2,177,242</u>
-	1,101,818
2,450	60,112
-	208,222
-	64,171
-	689,749
-	18,020
-	3,264
-	1,276
<u>-</u>	<u>105,000</u>
<u>2,450</u>	<u>2,251,632</u>
-	(74,390)
<u>-</u>	<u>75,416</u>
<u>-</u>	<u>75,416</u>
-	1,026
<u>-</u>	<u>9,043</u>
<u>\$ -</u>	<u>\$ 10,069</u>



Other Supplementary Information
August 31, 2018

Brady Independent School District

<u>Year Ended August 31,</u>	<u>1 Tax Rates</u>		<u>3</u>
	<u>Maintenance</u>	<u>Debt Service</u>	<u>Assessed/Appraised Value for School Tax Purposes</u>
2009 and prior years	\$ Various	\$ Various	\$ Various
2010	1.040000	0.327500	324,555,400
2011	1.040000	0.327500	363,644,370
2012	1.040000	0.327500	376,576,660
2013	1.040000	0.365000	419,043,213
2014	1.040000	0.362800	444,843,457
2015	1.040000	0.323360	472,124,211
2016	1.040000	0.305200	472,922,316
2017	1.040000	0.323356	431,266,668
2018 (School year under audit)	1.040000	0.320609	442,624,222
1000 Totals			

Brady Independent School District
Schedule of Delinquent Taxes Receivable (Exhibit J-1)
Year Ended August 31, 2018

10 Beginning Balance 9/1/2017	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2018
\$ 32,659	\$ -	\$ 205	\$ 75	\$ (7,695)	\$ 24,684
3,251	-	38	12	(66)	3,135
5,571	-	66	21	(557)	4,927
4,056	-	470	148	(557)	2,881
3,891	-	192	68	(573)	3,058
7,295	-	731	255	(623)	5,686
11,131	-	3,191	1,014	(607)	6,319
24,528	-	9,812	2,879	(853)	10,984
102,724	-	56,918	18,119	(1,825)	25,862
<u>-</u>	<u>6,022,385</u>	<u>4,474,775</u>	<u>1,419,284</u>	<u>(17,263)</u>	<u>111,063</u>
<u>\$ 195,106</u>	<u>\$ 6,022,385</u>	<u>\$ 4,546,398</u>	<u>\$ 1,441,875</u>	<u>\$ (30,619)</u>	<u>\$ 198,599</u>

Brady Independent School District
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – National School
Breakfast and Lunch Program (Exhibit J-2)
Year Ended August 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local and intermediate sources	\$ 191,592	\$ 191,592	\$ 128,250	\$ (63,342)
5800	State program revenues	3,363	3,363	3,132	(231)
5900	Federal program revenues	498,224	498,224	500,747	2,523
5020	Total revenues	693,179	693,179	632,129	(61,050)
Expenditures					
Current					
0035	Food services	778,096	768,096	689,749	78,347
0051	Facilities maintenance and operations	11,000	21,000	16,770	4,230
6030	Total expenditures	789,096	789,096	706,519	82,577
1100	Excess (deficiency) of revenues over (under) expenditures	(95,917)	(95,917)	(74,390)	21,527
Other financing sources (uses)					
7915	Transfers in	95,917	95,917	75,416	(20,501)
7080	Total other financing sources (uses)	95,917	95,917	75,416	(20,501)
1200	Net change in fund balances	-	-	1,026	1,026
0100	Fund balances, beginning	9,043	9,043	9,043	-
3000	Fund balances, ending	\$ 9,043	\$ 9,043	\$ 10,069	\$ 1,026

Brady Independent School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund
(Exhibit J-3)
Year Ended August 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 1,412,959	\$ 1,412,959	\$ 1,505,699	\$ 92,740
5800	State program revenues	55,896	55,896	46,894	(9,002)
5900	Federal program revenues	4,500	4,500	4,418	(82)
5020	Total revenues	<u>1,473,355</u>	<u>1,473,355</u>	<u>1,557,011</u>	<u>83,656</u>
	Expenditures				
	Debt service				
0071	Principal on long term debt	815,000	815,000	815,000	-
0072	Interest on long term debt	658,355	658,355	653,354	5,001
0073	Bond issuance costs and fees	-	-	500	(500)
6030	Total expenditures	<u>1,473,355</u>	<u>1,473,355</u>	<u>1,468,854</u>	<u>4,501</u>
1200	Net changes in fund balance	-	-	88,157	88,157
0100	Fund balance, beginning	<u>1,377,871</u>	<u>1,377,871</u>	<u>1,377,871</u>	-
3000	Fund balance, ending	<u>\$ 1,377,871</u>	<u>\$ 1,377,871</u>	<u>\$ 1,466,028</u>	<u>\$ 88,157</u>



Federal Award Section
August 31, 2018

Brady Independent School District



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Brady Independent School District
Brady, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District (the District) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 13, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency: Finding 2018-A.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Brady Independent School District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
December 13, 2018



Independent Auditor’s Report on Compliance for the Major Program, Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees
Brady Independent School District
Brady, Texas

Report on Compliance for the Major Federal Program

We have audited Brady Independent School District’s (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District’s major federal program for the year ended August 31, 2018. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for the District’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended August 31, 2018.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the typed name and date.

Abilene, Texas
December 13, 2018

Section 1. Summary of Auditor's Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported

A modified opinion was issued on compliance for major programs

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
--	----

Identification of Major Programs:

Special Education (IEA) Cluster (84.027A and 84.173A)

Dollar threshold used to distinguish between type A and type B federal programs \$750,000

Auditee qualified as a low-risk auditee? Yes

Section 2. Findings Related to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2018-A: Financial Reporting

Type of Finding: Significant Deficiency

Criteria or Specific Requirement:

Management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement in a timely manner.

Statement of Condition: In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to the financial statements. Additionally, after initially closing its books, the District subsequently recorded adjustments to properly rollforward beginning fund balance for the General Fund, as a result of audit procedures, which if not recorded, would have resulted in a misstatement of the District's financial statements.

Cause: The District does not prepare its own financial statements and had previously not properly rolled forward beginning fund balance for its General Fund.

Effect: The preparation of financial statements and the adjustment to properly rollforward beginning fund balance in its General Fund may result in financial statements and related information not being available for management purposes in a timely manner.

Recommendation: Auditing standards require that auditors communicate this deficiency; however, the District prepares budgetary and other financial reports for Board review on a routine basis. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

View of Responsible Officials:

Management agrees with the finding. Refer to Corrective Action Plan.

Section 3. Findings and Questioned Costs for Federal Awards Required to be Reported Under Uniform Guidance

The audit disclosed no findings and questioned costs required to be reported.

Brady Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2018

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through Texas Education Agency			
ESEA Title I, Part A - Improving Basic Programs	84.010A	18610101160901	\$ 393,246
SSA - IDEA - Part B, Formula	84.027	186600011609016000	624,111
SSA - IDEA B Preschool	84.173	186610011609016000	24,767
Total Special Education (IDEA) Cluster			648,878
ESEA Title II, Part A - Teacher and Principal Training	84.367A	18694501160901	59,044
Title IV, Part B Student Support and Academic Enrichment	84.424A	18696001160901	20,336
Title IV, Part A Student Support and Academic Enrichment	84.424A	18680101160901	11,961
Total CFDA Number 84.424A			32,297
Total Passed Through Texas Education Agency			1,133,465
Total Department of Education			1,133,465
U.S. Department of Health & Human Services			
Passed through ESC Region 15:			
Head Start	93.600	06CH7152/01	148,106
Total Passed Through ESC Region 15			148,106
Total Department of Health & Human Services			148,106
U.S. Department of Agriculture			
Passed through Texas Department of Agriculture			
School Breakfast Program	10.553	71401701	162,884
National School Lunch Program - cash assistance*	10.555	71301701	290,555
Total Passed Through Texas Department of Agriculture			453,439
Passed through the Multi Regional Purchasing Cooperative			
National School Lunch Program - non cash assistance*	10.555	N/A	47,308
Total Passed Through the Multi Regional Purchasing Cooperative			47,308
Total Child Nutrition Cluster			500,747
Total Department of Agriculture			500,747
Total Expenditures of Federal Awards			\$ 1,782,318
* Total CFDA Number 10.555			\$ 337,863

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2018. The information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

School health and related services revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

Total expenditures of federal awards per Exhibit K-1	\$ 1,782,318
Federal revenue in lieu of taxes	14,727
Qualified School Construction Bond interest subsidy	4,418
Fund 499 - federal revenue	
School Health and Related Services (SHARS)	<u>56,357</u>
Total federal revenues per Exhibit C-2	<u>\$ 1,857,820</u>

Note 3 - Indirect Cost Rate

The District is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the District has previously received a negotiated indirect cost rate for its federal awards.

Brady Independent School District
Schedule of Required Responses to Selected School First Indicators (Exhibit L-1)
Year Ended August 31, 2018

<u>Data Control Codes</u>	<u>Responses</u>
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreements at fiscal year end?	No
SF4 Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7 Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8 Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10 Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11 Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12 Net Pension Liabilities (2540) at fiscal year-end.	\$ 2,351,313
SF13 Pension Expense (6147) at fiscal year-end.	\$ -

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
August 31, 2018

Prepared by Management of
Brady Independent School District

Brady Independent School District - Summary Schedule of Prior Audit Findings

No findings were noted in the prior audit.

Preparation of Financial Statements and Significant Audit Adjustment in the Financial Statements

Finding 2018-A

Finding Summary:

We requested that Eide Bailly LLP draft the financial statements and accompanying notes to the financial statements. Additionally, Eide Bailly LLP proposed an audit adjustment that would not have been identified as a result of our existing controls and, therefore, could have resulted in a misstatement of our financial statements.

Responsible Individuals:

Barbara Landry, Business Manager

Corrective Action Plan:

It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the adjustments proposed during the audit.

Anticipated Completion Date: Ongoing